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Here We Go Again: Budget Reconciliation Brings a New Round of Threats to Healthcare Access

With the new Congress seated, Republicans are preparing to control the House of Representatives, the Senate, and the presidency and to push an aggressive policy agenda in 2025. Given their razor thin majorities in the House and Senate, the road to policy change in Congress will likely take a familiar path: the budget reconciliation process. Unlike regular order legislation, which requires a majority in the House and a filibuster-proof majority of 60 votes in the Senate, budget reconciliation bills can be passed with only 51 votes in the Senate, an appealing option given that Republicans hold only 53 Senate seats. Budget reconciliation has been the vehicle of choice for sweeping legislation supported by a single party, including the Affordable Care Act (passed by Democrats in 2010), the Tax Cut and Jobs Act (passed by Republicans in 2017), and the Inflation Reduction Act (passed by Democrats in 2022). However, it comes with a host of rules that limits the types of provisions that can be included. Read on to learn more about budget reconciliation and how Republicans may try to use this process to enact sweeping changes to key health programs.

How Budget Reconciliation Works

The Congressional Budget Act allows Congress to use a process called [reconciliation](#) to pass legislation affecting federal spending, revenues, or the federal debt limit with a simple majority in the Senate instead of the usual 60 votes needed to overcome a filibuster. Before a reconciliation bill can be considered, Congress must pass a budget resolution, which is essentially a roadmap for the year's budget and includes spending amounts as well as overarching spending, revenue, and debt policies. Once a budget resolution is adopted, the reconciliation process allows Congress to more easily pass spending and revenue policies needed to implement the budget resolution. In the more recent past, Congress has used reconciliation to enact partisan policies when one party holds a majority in both the House and Senate, but not the 60 Senate votes needed to stop a filibuster.

The steps of budget reconciliation include the following:

- **Step 1:** House and Senate budget committees draft budget resolutions that include broad roadmaps for tax and revenue policy as well as spending caps. Budget resolutions are then voted on by the full House and

Filibuster Rules Refresher

The U.S. Senate typically allows for unlimited debate on proposed legislation, which means that Senators are able to [filibuster](#) certain measures by prolonging debate in an effort to prevent certain bills from going to a full vote. To prevent the Senate from coming to a standstill, Senate rules allow for a process called "cloture," where three-fifths of the Senate can vote to end debate on a bill.

Senate. Any differences between the House and Senate versions must be resolved, and the House and Senate must then pass identical versions. Unlike regular order legislation, budget resolutions can be passed with simple majorities in both the House and the Senate. In addition to setting spending caps for the year, the budget resolution may include directives for congressional committees to develop a budget reconciliation bill that includes specific policy priorities.

- **Step 2:** If a budget resolution includes a policy directive (or directives), the relevant House and Senate committee(s) must develop bill text by a date specified in the budget resolution. The bill text is placed into a single budget reconciliation bill for each chamber. In the Senate, because of special rules surrounding budget reconciliation, a reconciliation bill is not subject to filibuster and debate is limited to 20 hours. The House can also initiate a reconciliation bill, which only takes a majority to pass.

A budget reconciliation bill must meet the requirements of the Byrd Rule and cannot include provisions that are not directly related to spending or tax law, add to the federal deficit over 10 years, or affect Social Security. The Senate Parliamentarian is charged with ruling on whether provisions meet this rule.

- **Step 3:** Any differences between House and Senate budget reconciliation bills are resolved through conference committees. The final budget reconciliation bill then must pass both the Senate and the House with a simple majority in each chamber. The bill must then be signed into law by the President.

What Is the “Byrd Rule”?

The [Byrd Rule](#) allows members of Congress to challenge budget reconciliation provisions that are unrelated to federal spending, revenue, or debt. The Byrd Rule also prohibits any reconciliation bill from adding to the federal deficit over a 10-year period or from making changes to Social Security.

What Policies Might Republicans Pursue Using Budget Reconciliation?

Because Republicans hold only a slim majority in the Senate (with 53 seats), reconciliation will be an important mechanism to pass any sweeping policy change. There are [some indications](#) that Republicans are considering splitting their policy agenda into two reconciliation bills (one for fiscal year 2025 and the second for fiscal year 2026). This approach would allow Republicans to stagger their policy proposals, for instance by using one reconciliation bill to address border security and immigration and a second reconciliation bill to extend the tax cuts passed during the first Trump Administration in 2017. Even as some Republicans align around this two-reconciliation option, others, including [President-elect Trump](#), have urged for a “go big” approach that would use a single reconciliation bill to enact a sweeping Republican policy agenda.

Either way, extending the tax cuts is a priority for Republicans and likely to be included in a reconciliation bill eventually. However, the [Congressional Budget Office estimates](#) that extending the Trump tax cuts would add \$4.6 trillion to the deficit over 10 years. Under the Byrd Rule, this means Republicans would need massive offsets for extension of the tax cuts to be included in budget reconciliation.

Health care advocates fear that any reconciliation measure that extends the 2017 tax cuts will seek to balance those costs with cuts to healthcare and social services programs. This is both for practical and political reasons. The reconciliation rules place Social Security off the table, and Republicans have historically chosen to avoid cuts to Medicare. Republicans also insisted prior to the November election that they had [no intention of cutting Medicare](#),

despite statements Trump had made earlier in the year criticizing entitlements. This leaves Medicaid—a program that has long been on the top of the Republican chopping block—as a big-ticket federal program that could yield the savings needed to offset extending the tax cuts and. Medicaid cuts could take the form of:

- Transforming Medicaid from an entitlement program to a block grant or per capita cap,
- Reducing federal matching rates for Medicaid, and
- Implementing work requirements as a condition of Medicaid eligibility.

It is not clear yet whether any of these proposals would meet the Byrd Rule requirements, but all have been supported by Republican leadership in recent years.

In addition, the [enhanced Premium Tax Credits \(PTCs\)](#) for marketplace coverage that were first adopted during the COVID pandemic are set to expire at the end of 2025. Continuation of the enhanced PTCs, which have helped more households access and afford marketplace coverage, remains a high priority for healthcare advocates, but would also include costs that must be factored into budget reconciliation.

The Many Forms of Medicaid Cuts

All of the potential forms of Medicaid cuts that may be on the table during budget reconciliation could severely undermine access to healthcare for people with low income and/or chronic illness and disabilities. For more on each of these proposals, check out previous issues of Health Care in Motion on [work requirements](#), [block grants](#), and [per capita caps](#), as well as our recent [post-election roundup](#).

What's Next?

Republicans will likely be moving quickly to get as much done as possible while they have majorities in both chambers, and [policy experts](#) anticipate a first budget resolution by the end of January 2025. This could set up passage of a budget reconciliation bill by March and still leave time for a second budget resolution for fiscal year 2026 later this year. The budget resolution will be telling, indicating whether Republicans will attempt to split their agenda into two reconciliation bites at the apple or try to get as much done in one bill as possible, outlining overall funding amounts, and providing some insight into the policies that congressional committees will be directed to address. It could be a wild healthcare policy year—watch this space for updates as we go.

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